

GENERAL COUNSEL'S REPORT

September 23, 2015

- B. Metro Knoxville HMA, LLC d/b/a Tennova Healthcare – North Knoxville Medical Center (f/k/a Mercy Health System, Inc. d/b/a Mercy Medical Center North), Powell (Knox County), TN – CN1106-019AE

The project was unanimously approved on October 26, 2011 for the acquisition of a second linear accelerator to be located and utilized on the Tennova Healthcare – North Knoxville Medical Center campus. The project cost was approved for \$4,694,671.00.

Request for a 1 year extension of the expiration date from December 1, 2015 to December 1, 2016. This request is for the 2nd extension. The original expiration date of December 1, 2014 was extended to December 1, 2015 on November 19, 2014 by a unanimous vote.

Metro Knoxville HMA, LLC made the first request because CN1106-019 was approved the same month that Mercy Health Partners was purchased by Health Management Associates of Naples, Florida. As a result of that transaction, Mercy Health Partners was renamed Tennova Healthcare. The change in ownership caused a re-evaluation of the timeline for implementing the project. After an analysis of Tennova's radiation therapy centers was completed by Health Management, it was determined that the most orderly approach to ensuring that patient care would not be disrupted was to delay adding the second linear accelerator to the North Knoxville Medical Center campus until Tennova's other radiation therapy centers could be upgraded. During the course of these other linear accelerator replacement projects, Health Management Associates was purchased by Community Health Systems ("CHS"). CHS took ownership of the former Health Management hospitals, including North Knoxville Medical Center and the other Tennova Healthcare hospitals, on January 27, 2014. During the transition period leading up to the ownership change, all capital projects were put on hold by Health Management.

According to the July 2015 progress report submitted by Metro Knoxville HMA, LLC, the project and its funding has been approved by CHS. The design team at LMH Architecture was engaged and is currently completing the final Construction Documents for submission to the Tennessee Department of Health and to the contractor for final pricing. The contract for construction of the Linear Accelerator has been awarded to Batten & Shaw Inc. Construction Management.

Construction is scheduled to begin on October 26, 2015 with an estimated construction completion date of March 30, 2016. The Purchase and License agreements have been completed with Elekta Inc.- North America for the Equipment, installation, licensing, training and support. A completion date of April 2016 is anticipated; therefore, a one year extension for this project is requested.

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FOUNDED 1948

August 24, 2015

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R.R. KRAMER (1888-1966)

Ms. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: CN1106-019A - Request for Extension
Tennova Healthcare - North Knoxville Medical Center

Dear Ms. Hill:

Pursuant to the Health Services and Development Agency Rule 0720-10-06, we respectfully submit this second request for an extension of the certificate of need CN1106-019A, for the acquisition of a second linear accelerator on behalf of our client, Metro Knoxville HMA, LLC d/b/a Tennova Healthcare - North Knoxville Medical Center. The current expiration date is December 1, 2015, and North Knoxville Medical Center is requesting a one year extension.

CN1106-019 was approved in October, 2011, which was the same month that Mercy Health Partners was purchased by Health Management Associates of Naples, Florida. The project was unopposed. As a result of that transaction, Mercy Health Partners was renamed Tennova Healthcare. While Health Management Associates was fully supportive of Tennova moving forward with the application to add a second linear accelerator to the cancer center at North Knoxville Medical Center, the change in ownership did cause us to re-evaluate the timeline for implementing the project. After an analysis of Tennova's radiation therapy centers was completed by Health Management, it was determined that the most orderly approach to ensuring that patient care would not be disrupted was to delay adding the second linear accelerator to the North Knoxville Medical Center campus until Tennova's other radiation therapy centers could be upgraded. First, an aged linear accelerator was replaced at Physicians Regional Medical Center and upgraded with new hardware and software. Second, the linear accelerator at Turkey Creek Medical Center was replaced with a new Varian linear accelerator.

Ms. Melanie Hill
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The linear accelerator at Baker Cancer Center in Harrogate, Tennessee, was replaced with new equipment due to its age. Because each of these centers have an active load of patients receiving treatment, it has been critical that there be no disruptions in the operations or accessibility of the radiation therapy center at North Knoxville Medical Center.

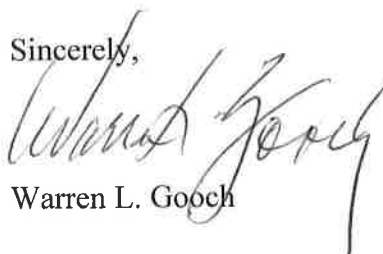
During the course of these other linear accelerator replacement projects, Health Management Associates was purchased by Community Health Systems ("CHS"). CHS took ownership of the former Health Management hospitals, including North Knoxville Medical Center and the other Tennova Healthcare hospitals, on January 27, 2014. During the transition period leading up to the ownership change, all capital projects were put on hold by Health Management.

The project was reevaluated by CHS considering the reopening of the Baker Cancer Center and the future impact of the relocation of Physicians Regional Medical Center to its new location. The first extension was approved by the agency in November 2014. The project and its funding has been approved by CHS.

The initial equipment selected for this project was reevaluated given new technology options, and the contract for equipment (linear accelerator), installation licensing training and support was awarded to Elekta Inc. – North American. The design team at LMH Architecture was engaged and preliminary drawings developed. Completion of the final construction documents for submission to the Tennessee Department of Health and to the contractor for final pricing is underway. The bidding process for construction of the linear accelerator was initiated. The contract was awarded to Batten and Shaw Inc. Construction Management. Construction is scheduled to begin on October 26, 2015 with an estimated construction completion date of March 30, 2016.

An additional filing fee of \$3,509.00 is enclosed. Please do not hesitate to contact me if you have any questions. We appreciate your assistance in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Warren L. Gooch", written over the printed name.

Warren L. Gooch

WLG:dt

Enclosure

cc: Mr. Rob Followell
Mr. Neil Heatherly

Note: Metro Knoxville HMA, LLC d/b/a
Tennova Healthcare has not submitted the
original CON for the updated Extension.

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1106-019A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Metro Knoxville HMA LLC d/b/a Tennova Healthcare
200 Blount Avenue, Suite 600
Knoxville, TN 37920

For: Tennova Healthcare – North Knoxville Medical Center

This Certificate is issued for: The acquisition of a second linear accelerator to be located and utilized on the North Knoxville Medical Center campus (formerly Mercy Medical Center, North). As part of this application, the certificate of need to provide radiation therapy services at Tennova Riverside will be relinquished.

On the premises located at: 7551 Dannaher Way
Powell (Knox County), TN 37849

For an estimated project cost of: \$4,694,671.00

The Expiration Date for this Certificate of Need is

December 1, 2014

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: October 26, 2011

Chairman

Date Issued: November 16, 2011

Executive Director